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NATIONAL DAIRY
Products Corporation

Annual Report · 1947

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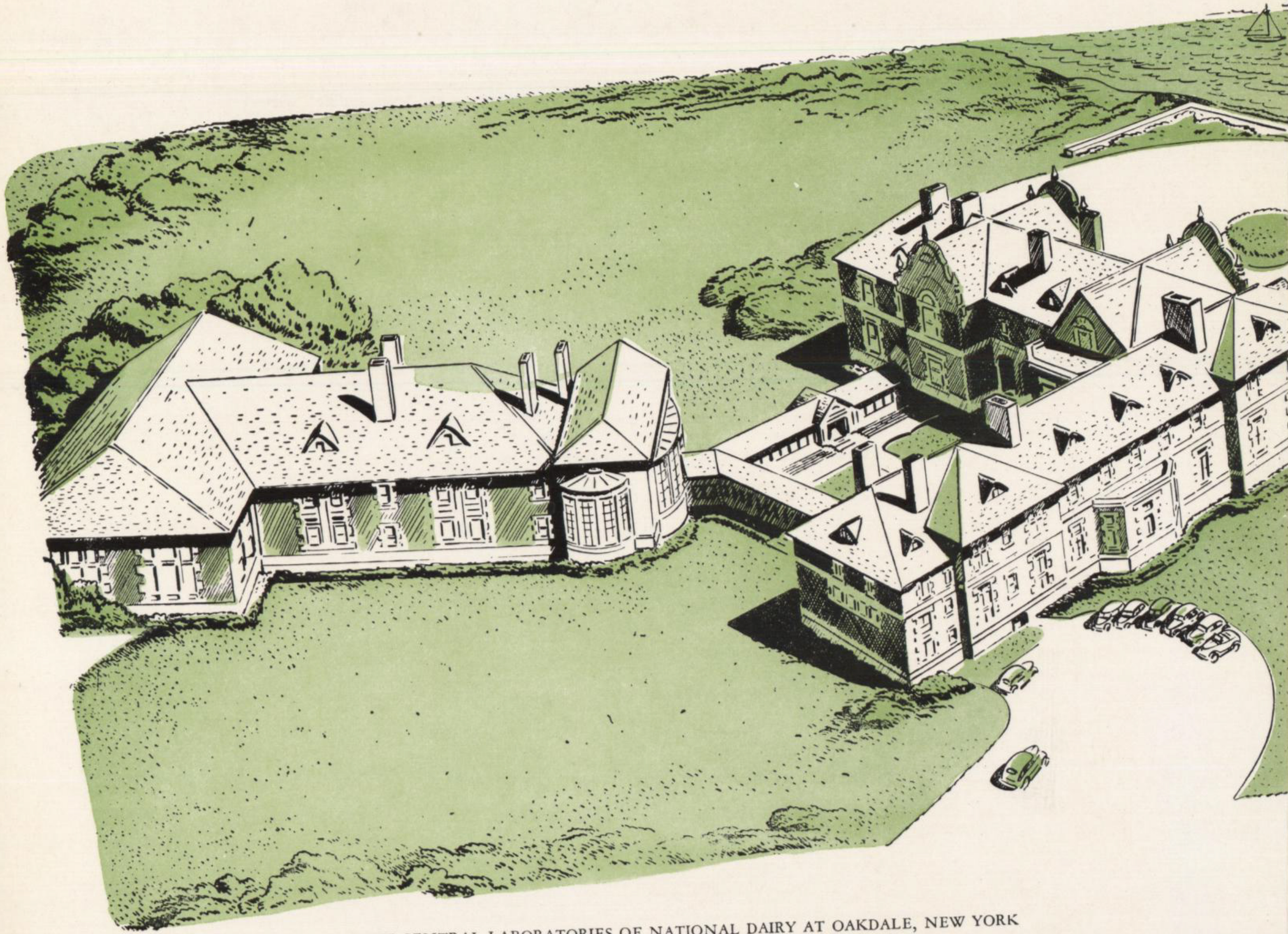


NEW CENTRAL LABORATORIES OF NATIONAL DAIRY AT OAKDALE, NEW YORK

Annual Report · 1947

National Dairy Products Corporation

Dedicated to the wider use and better understanding of dairy products as human food . . . as a base for the development of new products and materials . . . as a source of health and enduring progress on the farms and in the towns and cities of America.

The Annual Meeting of Stockholders is scheduled for April 15, 1948. *A proxy statement is expected to be sent to stockholders on or about March* 15, 1948 *at which time proxies for the Annual Meeting will be requested.*

Review in Brief

OUR OPERATING RECORD IN 1947

OUR INCOME:		
The sale of our products amounted to	$897,324,000	
Our income from other sources was	2,438,000	
This gave us a total income of		$899,762,000
OUR COSTS AND EXPENSES:		
Milk and other products purchased from farmers and raw materials bought from other suppliers cost us	$571,702,000	
To process our products and serve our customers, we employed 44,785 men and women whose wages and salaries amounted to	141,372,000	
Operating services and supplies, and other miscellaneous costs of doing business totalled	67,913,000	
To package our products in bottles, cans, cases, cartons, jars and other containers required	42,373,000	
Our direct taxes to help support Federal, state and municipal governments were	21,963,000	
Repairs and maintenance to keep our plants functioning efficiently cost	19,286,000	
In addition to repairs and maintenance, we provided for depreciation on plant and equipment	10,636,000	
We paid as interest to our bondholders	1,358,000	
This brought our total costs and expenses to		876,603,000
OUR PROFIT:		
This left a profit of 2.6 cents on each $1 of sales, or a total of		$ 23,159,000
Which was divided as follows:		
Paid to common stockholders as dividends	$ 11,295,000	
Retained for working capital, plant expansion and debt reduction	$ 11,864,000	

(*The Statement of Consolidated Profit and Loss and Surplus will be found on page 18*)

Review in Brief

OUR FINANCIAL POSITION AT THE END OF 1947

WE OWNED	
Cash and Government bonds	$ 30,614,000
Due from customers	36,462,000
Products, materials and supplies	86,168,000
Investments and other assets	8,561,000
Property, plant and equipment	115,138,000
Total Owned	$276,943,000

WE OWED	
Bank loans	$ 7,500,000
Bonds outstanding	49,000,000
For materials and services	55,516,000
Reserves for taxes, insurance, etc.	9,578,000
Total Owed	$121,594,000
Reserves for possible future inventory price declines and other contingencies	15,000,000
OUR NET WORTH, the excess of what we owned over what we owed and reserved	140,349,000
	$276,943,000

(*The Consolidated Balance Sheet will be found on pages 16 and 17*)

STATISTICAL SUMMARY

Net Sales	$897,324,000
Net Profit	$ 23,159,000
Net Profit Per Share	$ 3.68
Shares of Stock Outstanding	6,277,912
Number of Stockholders	67,256
No single stockholder owns as much as 1¼% of the total shares outstanding	
Dividends	$ 11,295,000
Dividends Per Share	$ 1.80
Taxes	$ 21,963,000
Taxes Per Share	$ 3.50
Current Assets	$153,244,000
Current Liabilities	$ 63,016,000
Working Capital	$ 90,228,000
Ratio Current Assets to Current Liabilities	2.4 to 1
Capital Expenditures	$ 32,074,000

The President's Statement

Our sales in dollars in 1947 aggregated $897,324,000, a new record high for the seventh consecutive year. This is $154,915,000 more than in 1946.

The rapidly spiraling cost of procuring, processing, packaging and distributing our products, however, resulted in a sharp increase in nearly every item of supply and service. Total costs of doing business rose to $876,603,000, an advance of $157,615,000 over the previous year.

Earnings in 1947 were $3.68 a share, compared with $4.05 a share after provision for possible future inventory price declines in 1946. This represents 2.6 cents profit on each dollar of sales.

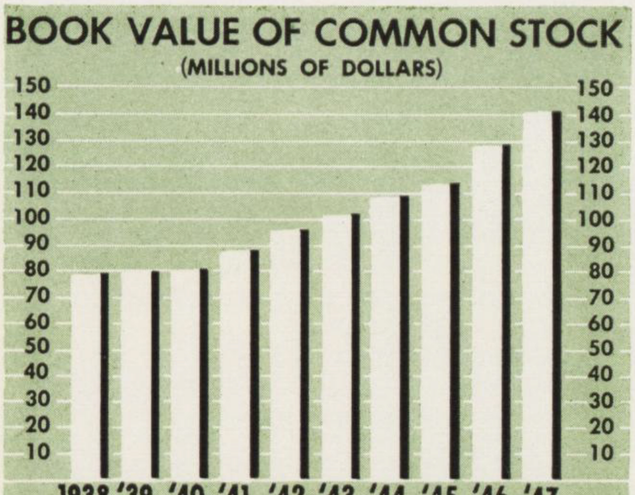
The lower earnings realized in 1947 were due to higher costs, and our resistance to consumer price increases. We held the price line as long as it was possible to do so, but were finally forced to raise prices.

We deplore the consumer price increases which were necessary to establish a more realistic relationship between income and costs. The forces which increase costs, and consequently drive prices up, are beyond the control of any individual company. The roots of these pressures lie deep in the complex structure of our entire economy. They present a most serious problem not only for our business, but all business, all groups and all classes of people. Despite this rising cost-price spiral, our Company continued to make good gains, and add to its steady growth.

Our policy is to sell high quality products only, at the lowest possible prices consistent with a good return to the farmer for his products, fair wages and good working conditions for our employees, and a reasonable return to our stockholders on their investment. To this end, efficiency of operation has always been a basic principle of our management. At the monthly meeting of the chief operating executives experience is pooled to achieve maximum efficiency and economy in every step of our operations.

FINANCIAL POSITION STRONG

The financial position of our Company remains strong. Current assets on December 31, 1947 were $153,244,000, and current liabilities $63,016,000. Working capital at the end of the year stood at $90,228,000.



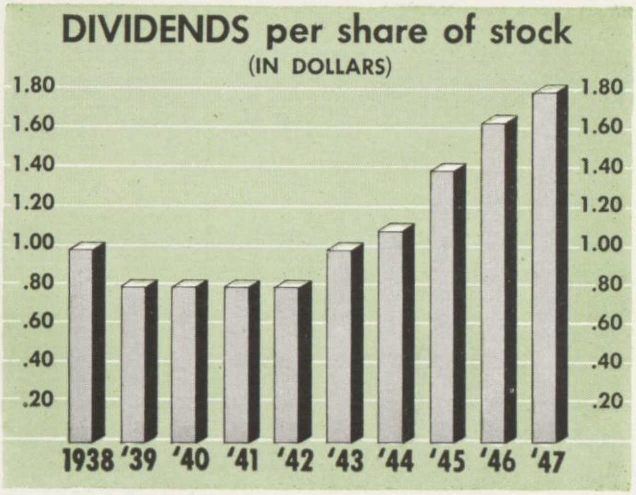
Cash and United States Government securities at the close of the year totalled $30,614,000, an increase of $3,752,000 over 1946. Our inventories at the end of 1947 were $86,168,000, compared with $86,766,000 in 1946. Reserves for possible future inventory price declines and other contingencies, provided in 1941, 1942, 1943 and 1946 and totalling $15,000,000, remained unchanged at the end of 1947.

At our annual meeting of stockholders in 1947, we said that we contemplated expenditures of $75,000,000 to $90,000,000 within three to five years for replacements and additions to property, plant and equipment. It was expected at the time that a substantial part of the funds needed for this purpose would be provided from cash resources, depreciation, and future earnings. We, like many other leading corporations, have already spent large sums of money to finance our greatly increased sales and to pay the higher costs of these necessary capital replacements and improvements. In 1947 we spent $32,000,000 and in 1946 $22,500,000 for capital expenditures. The extent to which we will continue this program depends on the economic situation and our cash resources as they will develop.

DIVIDENDS

In view of this continuing favorable financial position, the Board of Directors declared dividends in 1947 amounting to $1.80 a share, the highest in 15 years. This compares with $1.65 a share in 1946.

Business never remains static. We are constantly reviewing our capital investments and operations with the object of further strengthening our Company's position and further broadening its future opportunities for profits. Following this principle we have sold our Aralac properties. We decided in 1947 to discontinue the manufacture and sale of Aralac fibre. Development of other, more profitable uses for skim milk products has resulted in a marked increase in the cost of casein from which Aralac is made. Accordingly it was deemed advisable to sell the physical plant and equipment and to use this capital investment in other divisions of the business where it can be employed more profitably. The sale of the plant was consummated in February, 1948. We are happy to report that this fibre project resulted in a profit to the Corporation. Research is being continued on casein to develop additional uses.



The need for a constant source of competent executive personnel is basic. We are pursuing an active policy of promoting younger men of proven ability into key positions of increasing importance to assure continuity of progressive management.

EXPANDING MARKETS

During 1947, as our sales record shows, our markets continued to broaden. There has been no sacrifice of quality in our products in order to minimize expense. This maintenance of our well-known quality has resulted in adding thousands of new, satisfied customers. Sales of Kraft cheese, salad dressings and margarine, particularly, are growing rapidly.

During the year, Mr. John H. Kraft, President of our Kraft Foods Company, and I inspected our European properties in Germany, Holland and England. All of them survived the war with practically no damage from bombing. They are all in profitable operation again. While we are not permitted to transfer profits from our German and Holland operations, it is gratifying to report that they are doing a useful work in providing urgently needed food products. In England, all our production is for the account of the British Ministry of Food. Our companies in Australia, Argentina and Canada are progressing nicely. The only profits from our foreign operations reflected in our financial statement represent dividends from our English and Canadian business.

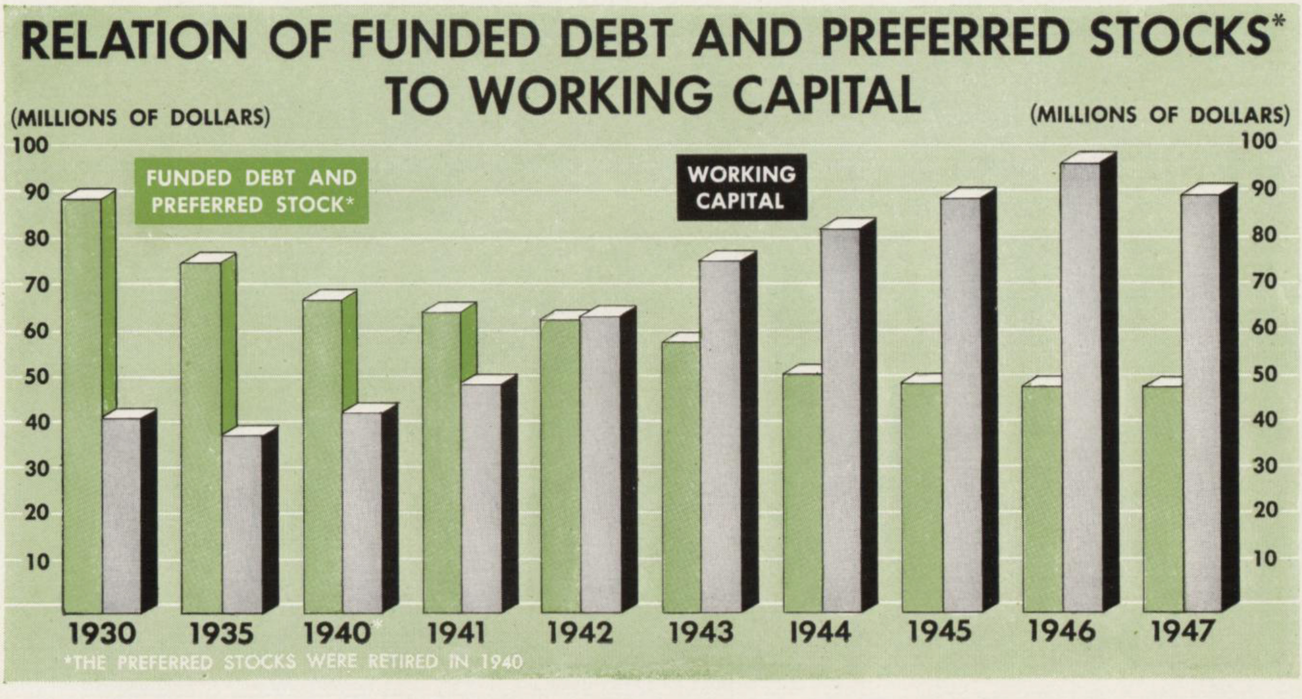
Our research program of product diversification continues, with most satisfactory prospects. This program will take a great step forward in 1948, when our new National Dairy Research Laboratories and pilot plant at Oakdale, Long Island, N. Y., will swing into full operation. These new laboratories, and the augmented group of scientists and technicians we are assembling to staff them, will enhance our capacity to develop new products and seek the improvement of old ones. Closely allied to our product research is our engineering program which is directed to increasing efficiency by finding simpler and more economical ways of operating our plants, better and more economical packaging, and improving our far-flung system of distribution.

ACKNOWLEDGEMENT

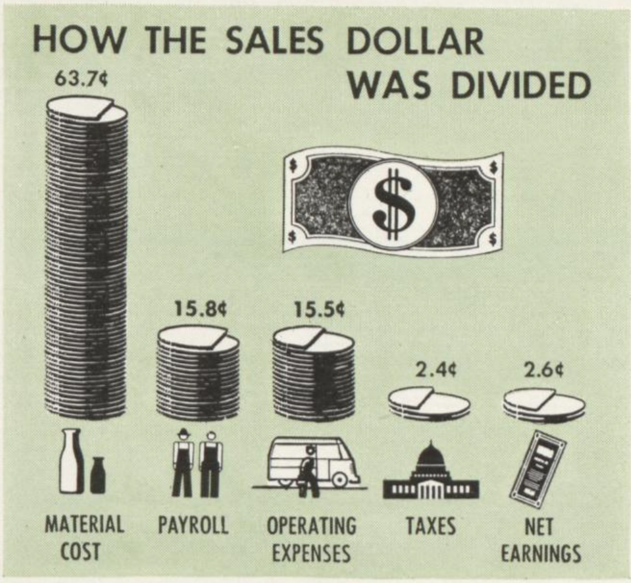
The loyalty and cooperation of our many employees, which contributed in such great measure to the success of our operation in 1947 is gratefully acknowledged by the management.

After twelve years of service, Mr. James Bruce resigned as Vice-President and director to accept appointment as the United States Ambassador to Argentina. His advice and counsel will be missed.

The death of Mr. H. Burton Wilkerson, President


RELATION OF FUNDED DEBT AND PREFERRED STOCKS* TO WORKING CAPITAL

*THE PREFERRED STOCKS WERE RETIRED IN 1940



of the Nashville Pure Milk Company and a director, is recorded with deep sorrow. His admirable character and faithful and conscientious devotion to duty were a great inspiration to his colleagues during his twenty years of service.

PROSPECT

Looking forward to 1948 we believe that consumer demand for our products will remain high. With price levels that are consistent with consumer purchasing power, the importance and economy of our products should assure sales that will compare most favorably with those of recent years. This prospect is fortified by the upward trend of the birth rate, the lengthening span of life, and high employment at good wages. It is also the result of better public appreciation of the nutritional value of dairy products, and the increasing sales of our other products. On our part we are amply prepared to take advantage of this favorable opportunity for increased sales.

The year 1948 marks the 25th anniversary of the founding of National Dairy. In the quarter century of its existence it has become a great food enterprise serving millions of people. Its success is based on our policy of selling high quality products only, at reasonable prices. It has been made possible by the confidence of 67,256 stockholders who have invested in the undertaking, and by the ability of the executives of our many subsidiaries.

We believe this anniversary a fitting time to reaffirm our faith in National Dairy and the industry of which it is a leading part.

L A Van Bomel

President

By order of the
Board of Directors

Thos. H. McInnerney
Chairman of the Board

New York, N. Y.
March 4, 1948

The Growing Market for Dairy Foods

Evidence of the truly remarkable expansion that has taken place in the market for dairy products in the past ten years is readily available in the Ten-Year Consolidated Statements in this report. Our sales have steadily increased to more than 2½ times the dollar value of ten years ago.

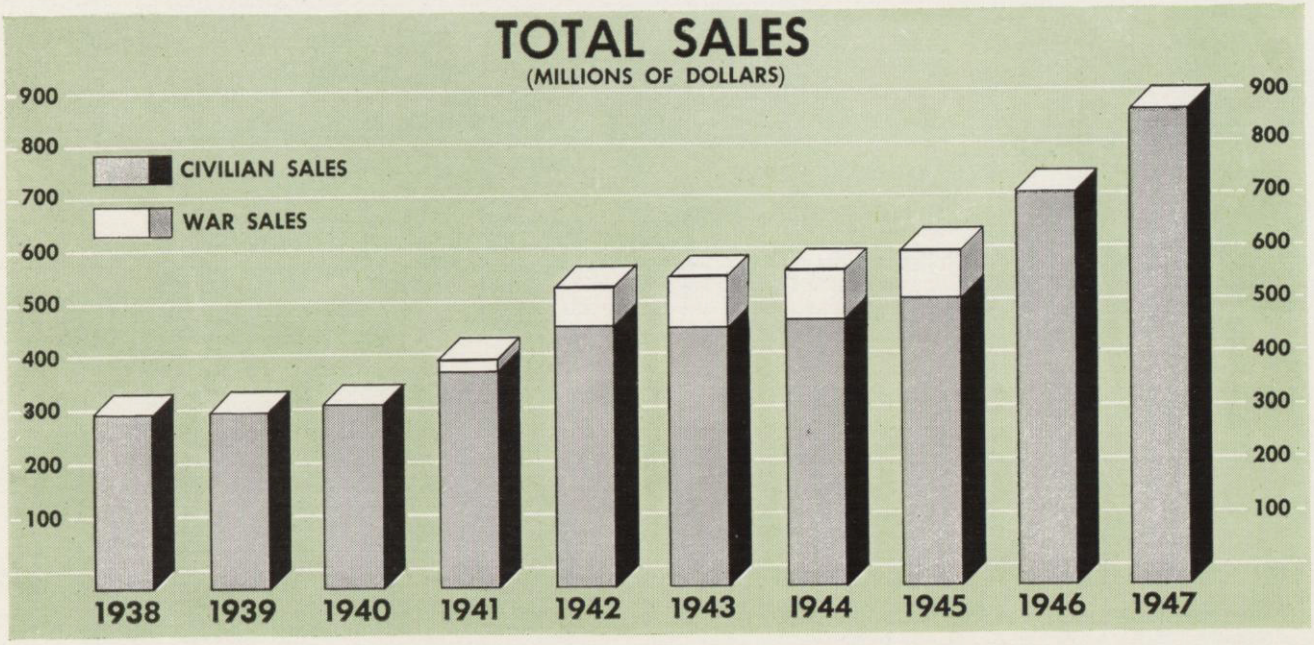
This rapidly growing acceptance of our products highlights the greatly increased demand for dairy foods that is evident throughout the country. A comparison of present levels with those in the period preceding the war, shows a national increase of 16 per cent in the per capita consumption of fluid milk and cream. Over the same period of time, the per capita consumption of cheese has increased about the same amount, while ice cream has doubled.

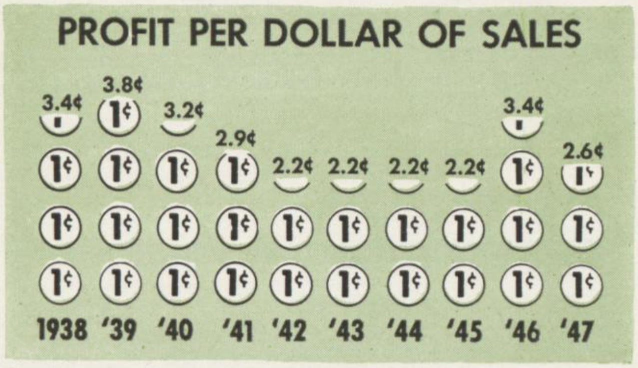
POPULATION GROWTH

Much of this increased demand, of course, is a result of the public's greatly enhanced purchasing power. But that is not the whole story. Over and above the stimulus provided by a higher national income, there are other factors which contribute substantially to the broader market for dairy products.

One is the unprecedented growth in population which has added more than 12 million people to the total United States population since 1940. This is already four million more than the best estimates of ten years ago predicted for 1950, a period two years hence. Assuming that these additional 12 million persons consume dairy products at the average national consumption rate, they alone represent a sizable permanent increase in the existing market.

Another important factor is greater public appreciation of the nutritional value and economy of dairy foods. This is clearly reflected in the increased share of the average food budget allocated to these products




PROFIT PER DOLLAR OF SALES

in recent years. During the 20 years prior to the war, the proportion of consumer income spent for fluid milk and cream, for instance, did not vary greatly. Since the war, however, this relationship has been well above pre-war averages, being about 14 per cent higher in 1946 and 10 per cent in 1947. A similar change has taken place in both cheese and ice cream.

IMPORTANCE OF DAIRY FOODS

The important place of milk and milk products in the diet has long been recognized by nutritionists, who have pointed out that each quart of milk supplies approximately these percentages of the daily requirements of the average adult: Calcium, 100 per cent; Riboflavin (Vitamin G), 78 per cent; Phosphorus, 69 per cent; Protein, 46 per cent; Vitamin A, 37 per cent; Niacin, 30 per cent; Vitamin B1, 38 per cent; Iron, 16 per cent; and Vitamin C, 16 per cent.

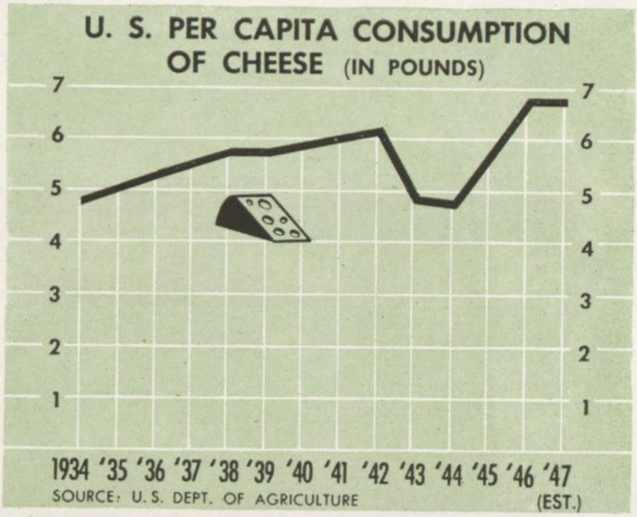
That milk is also an economical source of these vital nutritive elements is apparent from a comparison of retail milk prices with the prices of other foods. Although the prices the consumer paid for all food items combined rose 106 per cent from the outbreak of the war until the end of 1947, retail milk prices increased only 60 per cent during that time.

Still another significant factor in the expanding market for all dairy products is the marked trend toward greater use of cheese and ice cream in the daily diet. The movement of both of these products from the class of occasional delicacies to the list of economical and highly nutritive foods is a comparatively recent development, resulting from the better understanding of the value of dairy foods. Fifteen years ago ice cream was regarded primarily as a confection; cheese as a specialty.

CHEESE AND ICE CREAM POPULAR

Today, however, both cheese and ice cream are well established in the family market basket as basic foods of exceptional value, particularly in these times of needed economy. Due in large part to our pioneering work in providing uniform quality, increasing availability and improving packaging, Kraft Foods Company has made cheese a familiar item in homes throughout the nation. Production of American cheese in 1947 totalled about 960 million pounds, the highest on record.

Ice cream production in the country as a whole in 1947, while down about 12 per cent from the all-time high of 709 million gallons in 1946, was still more than twice as great as the average level of 15 to 20 years ago. Our own Company's production, meanwhile, has declined only slightly from the 1946 high. The wide-spread popularity ice cream now enjoys assures the permanence of the place it will continue to occupy in maintaining larger markets for dairy products.


U. S. PER CAPITA CONSUMPTION OF CHEESE (IN POUNDS)

SOURCE: U. S. DEPT. OF AGRICULTURE

Research and Development

Statistics show that with each passing generation boys and girls in this country grow taller, stronger, and healthier. Authorities agree that, in large measure, this is due to higher nutritional standards and increasing dietary knowledge. Each year science has learned a little more about food, and found better ways to process, distribute and serve it.

To learn more about food, and all operations affecting it at each stage from producer to consumer, is the purpose of National Dairy's research program. This program had its real beginning more than a half century ago in the early efforts of a number of our present subsidiary companies to improve their products. It was intensified when National Dairy was formed. It expanded in the succeeding years. During 1948 it will enter a new cycle with the operation of our new National Dairy Research Laboratories at Oakdale, Long Island, New York.

These laboratories, complete with pilot plant for testing production of new products, will form the central unit of an extensive system of research facilities, which also include the Kraft Foods Company laboratories in Chicago, and the Sheffield Farms Company in New York and the farm of Consolidated Products Company at Danville, Ill., where experiments in animal feeding are conducted.

NEW PRODUCT DEVELOPMENT

At Oakdale we will carry on our extensive work to find better ways to process and package our long line of products. As in the past, new product development will be a primary objective. Typical examples of previous results from this work are Velveeta, our popular cheese food made by Kraft, which has become the largest selling processed cheese food in the world.

More recently, Krafteen, a new dehydrated milk fat, has been produced and is now being introduced. Designed as a superior product for manufacturing purposes, it is produced by separating cream of high fat content until practically all of the water has been eliminated. While not a consumer product, it has great usefulness within the dairy industry since it can be stored in much smaller space than its equivalent in frozen cream and does not require as low refrigeration temperatures for preservation.

PRODUCT IMPROVEMENT

Another important phase of our research work is concerned with the continuing improvement of established products. This is a principle which goes back to the beginning of our business. Many years ago, pasteurization of milk was pioneered in this country by one of our companies, and pasteurization of cheese by another.

Recent interesting examples of product improvement are to be found in our Swiss and soft Limburger cheeses. Climaxing more than ten years of research and testing, we are now making Swiss cheese from pasteurized milk. This successful application of pasteurization to high quality Swiss cheese assures greater uniformity and added protection for the consumer. All Swiss cheese made in our Milledgeville, Ill., plant — the largest Swiss cheese plant in the world — is now made with pasteurized milk.

Improved methods of curing, meanwhile, have enabled us to produce a soft Limburger cheese that retains the old-time flavor with a milder odor. This represents the first major improvement in the traditional Limburger in generations.

BETTER PACKAGING

Another phase of our research is devoted to better packaging of natural cheeses, with the object of increasing protection, convenience and attractiveness. Our Kay Brand natural cheddar cheese is now cured and distributed in an improved wrapper, which is applied as the cheese is made and provides complete protection until it is cut by the food dealer. As a result, losses during the curing process and in the store have been cut materially. This is a saving to the consumer also, since no trimming need be done before serving the cheese.

Another improvement was the development of new machinery for making caramels, of which we probably are the world's largest manufacturer. Replacing the old open kettle method of cooking, the new equipment, designed by our engineers, mixes the ingredients, processes them and wraps the finished product in individual pieces.

Still other phases of our research concern greater utilization of the by-products of food processing, particularly skim milk and cheese whey. From the constituent parts of these two by-products we are already producing many products for pharmaceutical and industrial use. Among them are amino acids, so essential to good nutrition; calcium lactate, used in the treatment of calcium deficiencies; lactose or milk sugar; sodium lactate, a blending agent in the preparation of sulfa drugs; and casein, widely used by industry in the manufacture of paint, coated paper, glue, wall paper and certain plastics.

ANIMAL FEEDS

From buttermilk, whey and skim milk bases, we are also producing new animal feeds which have already demonstrated their ability to produce more and better pigs, calves, chickens and turkeys. This has resulted both in profitable business for the Company, and a higher return to the farmer on his livestock investment. By supplying elements normally obtained only through pasture feeding, our Semi-Solid Pig Emulsion makes possible confined feeding as soon as the pigs are weaned. Consequently, hogs go to market two or more months earlier, with saving in feed and labor cost and an improvement in the quality of the pork.

Other emulsions for breeding sows and fowls produce bigger and healthier litters and flocks. Kraylets, another recently improved hog and chicken feed, is being widely used with excellent results. This product profitably consumes large quantities of whey, which at one time was considered an almost totally useless residue of cheese making.

Kaff-A, our calf feed, not only reduces calf mortality and produces better calves, but also saves for human consumption the whole milk that normally would be fed to the calf on the farm during the first eight weeks of its life.

EXPERIMENTAL KITCHENS

A complement to our research activities is the consumer food service supplied by the experimental kitchens conducted by Sealtest in New York and Kraft Foods Company in Chicago. Staffed by trained dietitians and home economists, these kitchens originate and test basic recipes. Millions of recipe booklets, designed to make meals more wholesome, nutritious and delicious, are distributed from these centers annually to housewives, schools and institutions. The ingenuity displayed by our dietitians and home economists in expanding the variety of ways in which our products can be used in nourishing and attractive meals has undoubtedly helped to increase our sales.

The consumer, the farmer and our Company have all profited from our research program. The future promises still greater benefits, which will be realized by the consumer in improved standards of living, by the farmer in wider markets for his products, and by the Company through the expansion of its business.

National Dairy and the Farmer

The importance of dairy products to the consumer — they represent one-fourth of all the food he eats — is paralleled by the economic importance of milk on the nearly six million farms where it is produced. Milk is the largest single source of farm cash income — larger than cattle or hogs, two and a half times as great as wheat or cotton, one and a half times poultry and eggs, and four times tobacco.

Yet despite the important place milk occupies among all agricultural products, the need for increased milk production has never been greater than it is at present. Nor has it ever been so important that milk be produced more efficiently and more economically than ever before.

NEEDS STILL EXIST

These needs still exist, despite the fact that the past decade has brought the biggest increase in milk production and the greatest advances in production efficiency in the history of the dairy industry.

During the past five years, more than 277 billion quarts of milk were produced in this country. That is 36 billion quarts more than was produced in the five years immediately preceding the war. But it still is not enough to fully meet the greatly expanded consumer demand for milk and dairy products.

Similarly, improvements in breeding, feeding and herd care have increased the average annual production of the nation's 25,000,000 cows by more than 90 quarts per cow in the past three years. Again, however, this has not been enough to compensate for the greatly increased cost of milk production in recent years.

Farm cash income from milk in 1947 is estimated at $4,000,000,000, an increase of close to $375,000,000 over the preceding year. Since material cost accounts for 68 cents of every consumer dollar spent for fluid milk, the importance of economy and efficiency on the farm is evident.

HERD IMPROVEMENT

Agricultural authorities have pointed out that if modern, scientific practices were fully adopted on all dairy farms there would be an increase in the amount of milk produced, and a decrease in the per quart cost of producing it. These practices include the development of better herds through artificial insemination, the use of more nutritive and better balanced diets to increase the productivity of each cow, changes in freshening schedules to even out seasonal fluctuations and other proven advances in herd care. Through application of such practices, the farmer can get more and better milk per cow and the consumer will benefit from the decrease in the over-all costs of milk production.

MORE EFFICIENT PRODUCTION

To this end, National Dairy has always worked closely with farmers, county agents, agricultural schools and other farm agencies. During 1947 our efforts were further intensified. In co-operation with the United States Department of Agriculture and farm organizations we are participating in a continuing program for more efficient milk production. This program is already showing concrete results. The future promises greater gains.

Our own staff of field men, augmented since the war, is performing a valuable service to hundreds of thousands of farmers by periodically reviewing with them their operations and suggesting new methods and improvements. These field men have conducted hundreds of showings of motion pictures, made by

National Dairy and designed to illustrate modern dairy practices, and have arranged numerous dairy farming demonstrations in the areas in which our companies buy milk.

FARM PUBLICATIONS

Four of our publications, Sealtest Dairyman, The Kraftsman, Sheffield News and the Breyer Leaf are circulated to 150,000 farmers. They are edited by farm experts and contain practical articles on farming methods. National Dairy's advertising program in farm journals, now in its third year, is directed to the theme, "Make Your Future More Secure With More Milk Per Acre," and is designed to stimulate direct action at the farm level.

A very important phase of our agricultural work is concerned with young people, with the dual purpose of increasing future efficiency of milk production and encouraging young men and women to stay on the farm.

AWARDS TO YOUNG PEOPLE

In co-operation with 4-H Clubs, we are now giving Efficient Milk Production awards in 20 states, and will add six more states in 1948. Our program with the Future Farmers of America also is expanding rapidly, and now consists of awards in 15 states. We plan to expand this work to a total of 26 states.

We also have Dairy Herd Improvement awards authorized for 26 states. In addition the J. L. Kraft Dairy Product award is effective in 46 states. Kraft also makes an annual contribution to the Future Farmers of America Foundation, which provides additional awards in 48 states.

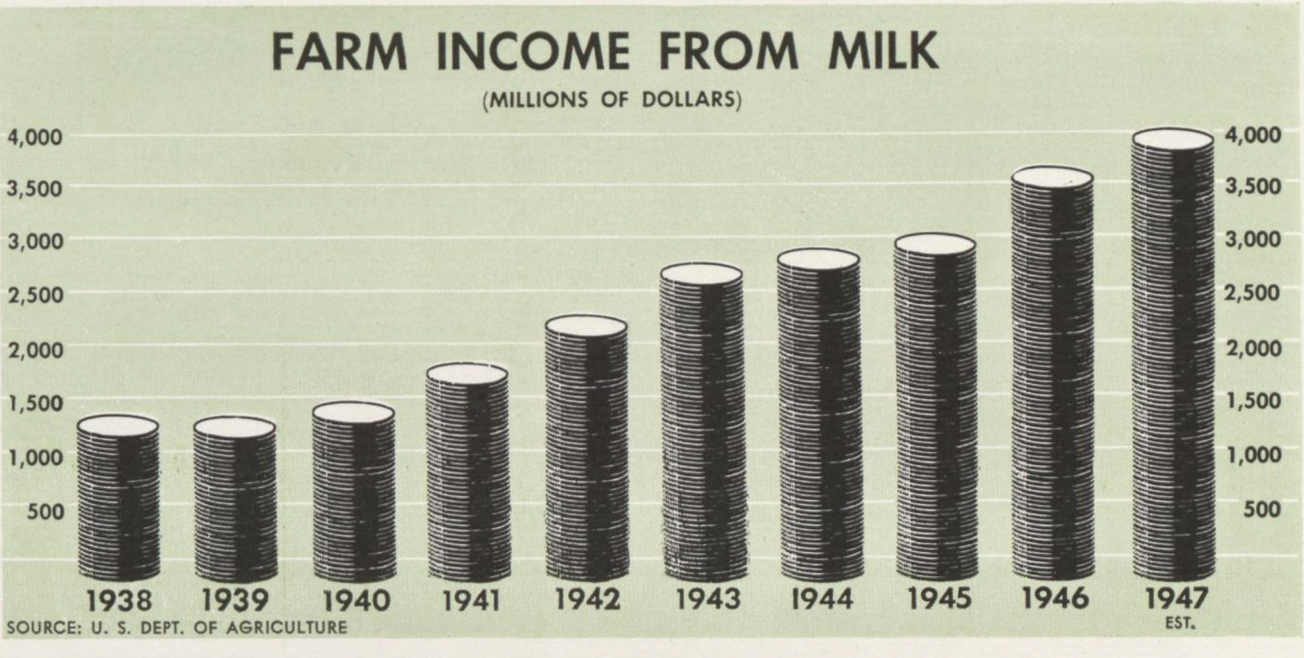
EXPANSION PLANNED

During 1948 we plan to further expand this farm activity. As a leading processor and distributor of food, our interest in the quality, quantity and economy of farm production is basic to the welfare of farmers, our Company and our customers. Our efforts have a three-fold purpose:

First, to improve the quality and quantity of milk production throughout the country.

Second, to achieve, through increased production efficiency, lower prices for the consumer with greater stability of income for the farmer.

Third, to assure continued progress on the farm by making farm life more interesting and attractive to young men and women.



SOURCE: U. S. DEPT. OF AGRICULTURE

Our Employees

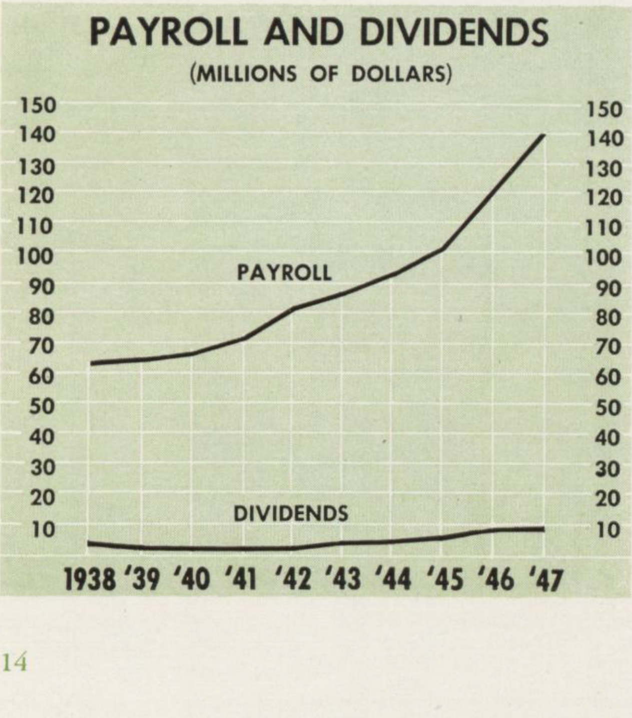
To handle our record volume of business in 1947, we employed an average total of 44,785 men and women, the largest number in the Company's history.

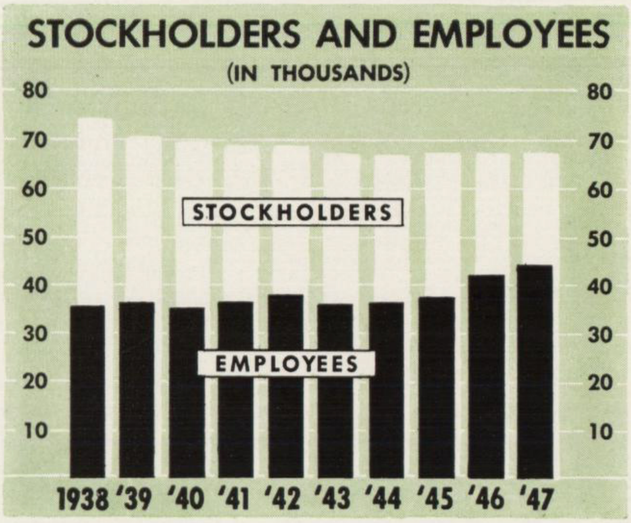
National Dairy's policy has always been to make its companies "good places to work"— under safe, pleasant conditions with the greatest possible assurance of security — at good rates of pay.

In 1947, wages and salaries paid to our 44,785 employees totalled $141,372,000, a new record high. This compares with $122,408,000 paid to 41,799 employees in the previous year.

SECURITY

Permanency of employment and opportunity for advancement have always been high in National Dairy companies. Despite the unavoidable high rate of turn-over during the war years, nearly a third of all our present employees have been with us for 10 years or longer, and the number of those who have completed 20 years or more of service has now increased to 6,100. With few exceptions, our executives have come up through the ranks, and during the past year many men have advanced to positions of greater responsibility.

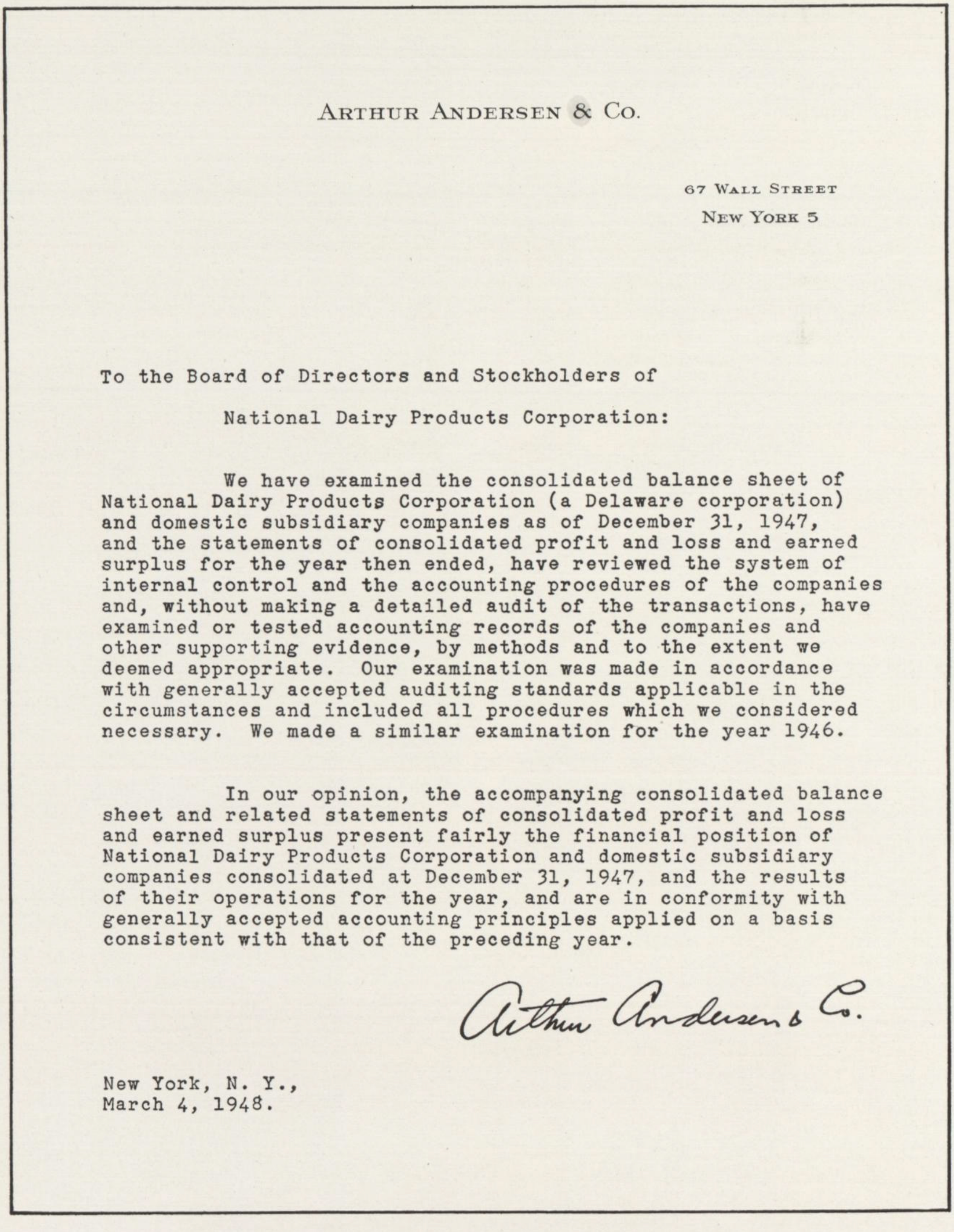




SAFETY

We are proud to report that the employee-injury accident-frequency rate in our plants in 1947 showed a further decrease of seven per cent under the already low rate prevailing in the previous year. This rate is now 16 per cent under the average rate for all other dairy companies reporting to the National Safety Council.

National Dairy's 11,000 motor vehicle drivers also established new low accident rates in 1947, with 9,414 of them going through the entire year without a single chargeable accident. Nearly half of all our drivers have had no chargeable accident in five years, and 1,143 of them have now been driving for more than 15 years without an accident being charged against them.



ARTHUR ANDERSEN & CO.

67 WALL STREET
NEW YORK 5

To the Board of Directors and Stockholders of

National Dairy Products Corporation:

We have examined the consolidated balance sheet of National Dairy Products Corporation (a Delaware corporation) and domestic subsidiary companies as of December 31, 1947, and the statements of consolidated profit and loss and earned surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. We made a similar examination for the year 1946.

In our opinion, the accompanying consolidated balance sheet and related statements of consolidated profit and loss and earned surplus present fairly the financial position of National Dairy Products Corporation and domestic subsidiary companies consolidated at December 31, 1947, and the results of their operations for the year, and are in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Andersen & Co.

New York, N. Y.,
March 4, 1948.

NATIONAL DAIRY PRODUCTS CORPORATION

AND DOMESTIC SUBSIDIARY COMPANIES

Consolidated Balance Sheets

ASSETS

	December 31 1947	1946
CURRENT ASSETS:		
Cash	$ 24,916,524	$ 21,064,938
U. S. Government securities	5,697,488	5,797,383
Notes and accounts receivable, less reserve	36,462,232	30,753,413
Inventories, lower of average cost or market —		
Products and materials	72,143,135	75,842,189
Supplies	14,025,019	10,923,766
Total Current Assets	$153,244,398	$144,381,689
INVESTMENTS AND OTHER ASSETS:		
Foreign subsidiaries —		
Canadian	$ 3,986,473	$ 3,134,644
English, Australian and Argentine	3,964,633	3,939,156
Continental European	1	1
	$ 7,951,107	$ 7,073,801
Less—Reserve for investments	3,503,935	3,503,935
	$ 4,447,172	$ 3,569,866
Domestic subsidiaries, not consolidated	214,682	316,272
Miscellaneous investments, deposits and receivables, less reserve	2,046,551	2,220,605
	$ 6,708,405	$ 6,106,743
PROPERTY, PLANT AND EQUIPMENT (Stated at cost or, as to certain properties, at sound values as appraised as of dates of acquisition, less certain adjustments):		
Land	$ 12,846,359	$ 12,518,133
Buildings, machinery and equipment	176,203,946	148,495,888
	$189,050,305	$161,014,021
Less—Reserve for depreciation	73,912,430	66,140,557
	$115,137,875	$ 94,873,464
PREPAID AND DEFERRED ITEMS	$ 1,852,151	$ 2,375,063
GOODWILL	$ 1	$ 1
	$276,942,830	$247,736,960

(*See Notes to Consolidated Financial Statements, page 19*)

NATIONAL DAIRY PRODUCTS CORPORATION

AND DOMESTIC SUBSIDIARY COMPANIES

Consolidated Balance Sheets

LIABILITIES	*December 31* 1947	1946
CURRENT LIABILITIES:		
Bank loans	$ 7,500,000	$ None
Accounts payable	31,224,651	33,781,414
Accrued liabilities	9,291,112	9,656,749
Provision for Federal taxes on income	15,000,000	20,500,000
Less—U. S. Treasury Savings Notes, Series C	None	*17,461,000*
Total Current Liabilities	$ 63,015,763	$ 46,477,163
FUNDED DEBT:		
2¾% Debentures due 1970 (Minimum annual sinking fund requirements: 1946-1950—$500,000 principal amount; 1951-1955—$1,000,000; 1956-1969—$1,500,000)	$ 49,000,000	$ 49,500,000
MINORITY INTEREST IN SUBSIDIARIES	$ 339,767	$ 336,549
RESERVES:		
Possible future inventory price declines and other contingencies	$ 15,000,000	$ 15,000,000
Prior years' Federal and state taxes	8,098,608	7,381,811
Insurance and other	1,139,774	783,402
	$ 24,238,382	$ 23,165,213
CAPITAL STOCK AND EARNED SURPLUS:		
Common stock, authorized, without par value, 8,000,000 shares Issued, at stated value—		
6,277,912 shares (1946—6,267,797 shares)	$ 51,777,022	$ 51,550,263
Earned surplus, per statement attached	88,571,896	76,707,772
	$140,348,918	$128,258,035
	$276,942,830	$247,736,960

(*See Notes to Consolidated Financial Statements, page 19*)

NATIONAL DAIRY PRODUCTS CORPORATION

AND DOMESTIC SUBSIDIARY COMPANIES

Statements of Consolidated Profit and Loss and Earned Surplus

CONSOLIDATED PROFIT AND LOSS

	Year Ended December 31	
	1947	1946
INCOME:		
Net sales	$897,323,456	$742,408,587
Other income	2,438,404	2,023,429
Total	$899,761,860	$744,432,016
INCOME DEDUCTIONS:		
Cost of products	$708,068,994	$563,753,507
Delivery expense	87,526,151	75,217,481
Selling expense	40,907,892	32,104,448
General and administrative expense	23,463,829	20,793,658
Miscellaneous charges (net)	278,035	235,685
Interest on funded debt	1,357,568	1,383,420
Provision for Federal taxes on income	15,000,000	20,500,000
Total	$876,602,469	$713,988,199
Net profit (before provision for possible future inventory price declines)	$ 23,159,391	$ 30,443,817
Provision for possible future inventory price declines	None	5,000,000
Balance transferred to earned surplus	$ 23,159,391	$ 25,443,817

The provision for depreciation charged to costs and expenses amounted in 1947 to $10,636,401 and in 1946 to $8,821,809.

CONSOLIDATED EARNED SURPLUS

	1947	1946
Balance at beginning of year	$ 76,707,772	$ 61,597,598
Balance transferred from profit and loss	23,159,391	25,443,817
	$ 99,867,163	$ 87,041,415
Dividends on common stock—$1.80 per share in 1947; $1.65 per share in 1946	11,295,267	10,333,643
Balance at end of year	$ 88,571,896	$ 76,707,772

(*See Notes to Consolidated Financial Statements, page 19*)

COMPTROLLER'S CERTIFICATE

The foregoing financial statements have been prepared under my direction from the companies' books kept under my supervision and, to the best of my knowledge and belief, fairly state the consolidated position of National Dairy Products Corporation and domestic subsidiaries as of December 31, 1947 and the consolidated operations for the year ended on that date.

Hubert P. Brown

New York, N. Y., March 4, 1948

Comptroller

NATIONAL DAIRY PRODUCTS CORPORATION

AND DOMESTIC SUBSIDIARY COMPANIES

Notes to Consolidated Financial Statements . . . December 31, 1947

PRINCIPLES OF CONSOLIDATION

All domestic subsidiary companies have been included in consolidation in the financial statements, except a mutual insurance company and three minor companies in which latter companies a majority but not more than sixty per cent of the voting stock is owned.

All foreign subsidiaries have been excluded from consolidation in the financial statements. The net sales and the Corporation's equity in net profits for the year ended December 31, 1947 of subsidiaries located in Canada, England, Australia and Argentina aggregated $29,764,238 and $530,233, respectively. In 1947 dividends of $530,336 were received from English and Canadian subsidiaries and credited to profit and loss.

DIVIDEND RESTRICTION

The Indenture under which the 2¾% Debentures due 1970 of the Corporation are outstanding contains provisions with respect to the payment of dividends on the common stock. Under these provisions approximately $48,000,000 of the consolidated earned surplus was so restricted at December 31, 1947.

RESERVE FOR POSSIBLE FUTURE INVENTORY PRICE DECLINES AND OTHER CONTINGENCIES

In 1946 provision was made for possible future inventory price declines by an appropriation from profit and loss of $5,000,000. This amount was added to the reserve of $10,000,000 set up prior to 1944 for possible future inventory losses and other contingencies. If there are any such losses they will be charged directly to profit and loss and the reserve will be reduced by an amount equal thereto (less applicable reduction in income taxes). The credit arising from such reduction will be shown in the statement of profit and loss as a separate item below the net profit for the year.

INCENTIVE COMPENSATION PLANS

Under the incentive compensation plans of the subsidiaries, employees received payments amounting to $860,000 for 1947 as compared with $1,246,000 for 1946. These plans covered in 1947 a total of 960 key employees, none of whom received more than 1.8% of the total.

EMPLOYEES' SHARE PURCHASE PLAN

300,000 shares of the authorized and unissued common stock of the Corporation were reserved until May 15, 1954 for sale to key employees pursuant to the Employees' Share Purchase Plan adopted by the Corporation in 1944. Under the plan, there were issued 12,550 shares for $283,587 in 1946 and 10,115 shares for $226,759 in 1947 and such proceeds were credited to the common stock issued account. Of the balance of 277,335 shares of authorized and unissued common stock still reserved at December 31, 1947, privileges to purchase a total of 180,585 shares (76,675 shares at $21.75 per share, 47,710 shares at $26.00 per share and 56,200 shares at $42.25 per share) were held by 86 key employees at that time. The purchase privilege price in each case is equal to 105% of the average market price for the 30 days preceding the date of grant. In each case the total number of shares is purchasable in equal amounts in periodic installments of one year or less extending to May 15, 1954, and any shares not purchased on the applicable installment date may be purchased thereafter at any time on or before May 15, 1954. These privileges to purchase are non-assignable.

RETIREMENT ANNUITIES

With respect to future service retirement annuities, charges to costs and expenses in 1947 and 1946 amounted to approximately $722,000 and $609,000, respectively.

NATIONAL DAIRY PRODUCTS CORPORATION
AND DOMESTIC SUBSIDIARY COMPANIES

Condensed Ten-Year Statement of Consolidated Assets and Liabilities

(All amounts are expressed in thousands)

	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938
WORKING CAPITAL										
CURRENT ASSETS										
Cash and marketable securities	$ 30,614	$ 26,862	$ 56,295	$ 45,346	$ 29,767	$ 17,028	$ 15,016	$ 16,916	$ 16,727	$ 16,908
Notes and accounts receivable (net)	36,462	30,754	21,600	23,581	22,873	23,828	26,807	17,592	17,803	17,051
Inventories	86,168	86,766	46,463	44,872	52,252	50,410	55,338	33,798	32,113	30,518
Total Current Assets	$153,244	$144,382	$124,358	$113,799	$104,892	$ 91,266	$ 97,161	$ 68,306	$ 66,643	$ 64,477
CURRENT LIABILITIES										
Bank loans	$ 7,500	$ 0	$ 0	$ 0	$ 0	$ 1,757	$ 13,475	$ 0	$ 0	$ 5,864
Serial Debentures	0	0	0	1,500	1,500	1,500	1,500	1,500	0	0
Accounts payable and accruals	40,516	43,438	33,884	28,388	26,798	23,317	22,859	17,888	17,944	15,991
Provision for Federal income tax	15,000	20,500	28,425	33,080	29,000	18,500	9,676	4,580	3,299	3,094
Less—U. S. Treasury Notes	0	*17,461*	*28,425*	*33,080*	*29,000*	*18,500*	0	0	0	0
Total Current Liabilities	$ 63,016	$ 46,477	$ 33,884	$ 29,888	$ 28,298	$ 26,574	$ 47,510	$ 23,968	$ 21,243	$ 24,949
Working Capital	$ 90,228	$ 97,905	$ 90,474	$ 83,911	$ 76,594	$ 64,692	$ 49,651	$ 44,338	$ 45,400	$ 39,528
PROPERTY, PLANT AND EQUIPMENT (Net)	115,138	94,873	81,693	84,974	92,188	97,387	100,575	94,962	97,680	105,677
INVESTMENTS, OTHER ASSETS AND PREPAID ITEMS	8,561	8,482	7,999	9,240	8,818	9,883	11,394	12,530	7,022	7,179
Total	$213,927	$201,260	$180,166	$178,125	$177,600	$171,962	$161,620	$151,830	$150,102	$152,384
FUNDED DEBT	$ 49,000	$ 49,500	$ 50,000	$ 51,700	$ 58,800	$ 64,416	$ 66,450	$ 68,500	$ 56,899	$ 60,875
PREFERRED STOCK	0	0	0	0	0	0	0	0	9,871	9,871
MINORITY INTEREST	340	337	303	345	321	298	350	336	894	915
RESERVES	24,238	23,165	16,998	17,617	16,654	12,216	7,601	2,998	3,074	2,762
Total	$ 73,578	$ 73,002	$ 67,301	$ 69,662	$ 75,775	$ 76,930	$ 74,401	$ 71,834	$ 70,738	$ 74,423
Book Value of Common Stock	$140,349	$128,258	$112,865	$108,463	$101,825	$ 95,032	$ 87,219	$ 79,996	$ 79,364	$ 77,961

NOTE: *All foreign subsidiaries are excluded from the consolidated accounts beginning with the year 1940.*

NATIONAL DAIRY PRODUCTS CORPORATION
AND DOMESTIC SUBSIDIARY COMPANIES
Condensed Ten-Year Statement of Consolidated Profit and Loss

(*All amounts are expressed in thousands, except per share and other statistics*)

	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938
INCOME:										
Net sales	$897,324	$742,409	$632,769	$593,853	$580,173	$562,451	$431,049	$347,410	$336,694	$334,355
Other income	2,438	2,023	2,424	1,718	1,311	1,306	1,249	935	1,026	1,164
Total income	$899,762	$744,432	$635,193	$595,571	$581,484	$563,757	$432,298	$348,345	$337,720	$335,519
INCOME DEDUCTIONS:										
Cost of products	$708,069	$563,754	$476,066	$441,609	$436,739	$425,808	$310,274	$239,090	$225,838	$228,585
Delivery expense	87,526	75,217	63,704	58,466	56,991	57,111	53,321	52,189	52,857	52,820
Selling expense	40,908	32,104	26,801	24,175	22,786	26,430	26,598	25,922	26,159	24,192
General and administrative expense	23,464	20,794	18,750	18,893	16,931	15,822	14,151	12,918	13,620	12,858
Miscellaneous	278	236	5,664	4,311	1,567	2,008	1,091	965	1,181	801
Interest on funded debt	1,358	1,383	1,669	1,799	1,921	1,956	1,978	2,104	2,238	2,335
Provision for Federal income tax	15,000	20,500	28,425	33,000	29,000	18,500	8,950	4,063	2,793	2,602
Provision for contingencies	0	5,000	0	0	2,500	3,900	3,600	0	0	0
Total income deductions	$876,603	$718,988	$621,079	$582,253	$568,435	$551,535	$419,963	$337,251	$324,686	$324,193
Amount to earned surplus	$ 23,159	$ 25,444	$ 14,114	$ 13,318	$ 13,049	$ 12,222	$ 12,335	$ 11,094	$ 13,034	$ 11,326
Less—Preferred dividends	0	0	0	0	0	0	0	691	691	691
Balance	$ 23,159	$ 25,444	$ 14,114	$ 13,318	$ 13,049	$ 12,222	$ 12,335	$ 10,403	$ 12,343	$ 10,635
PAYMENTS:										
Dividends	$ 11,295	$ 10,334	$ 8,757	$ 6,881	$ 6,255	$ 5,004	$ 5,004	$ 5,004	$ 5,004	$ 6,255
Payroll	141,372	122,408	102,532	94,648	88,632	83,136	72,992	68,098	66,328	64,996
Taxes	21,963	26,723	34,651	40,644	36,099	25,453	15,696	9,984	8,473	8,036
PER SHARE STATISTICS:										
Earnings	$ 3.68	$ 4.05	$ 2.25	$ 2.12	$ 2.08	$ 1.95	$ 1.97	$ 1.66	$ 1.97	$ 1.69
Dividends	1.80	1.65	1.40	1.10	1.00	.80	.80	.80	.80	1.00
Taxes	3.50	4.26	5.54	6.50	5.77	4.07	2.51	1.60	1.35	1.28
OTHER STATISTICS:										
Number of—										
Stockholders	67,256	67,308	67,347	66,636	66,889	68,798	68,820	69,264	70,078	73,723
Employees	44,785	41,799	37,933	36,698	36,281	38,126	36,697	35,565	36,543	35,911

NOTE: *All foreign subsidiaries are excluded from the consolidated accounts beginning with the year 1940.*

NATIONAL DAIRY PRODUCTS CORPORATION

230 PARK AVENUE • NEW YORK 17, N. Y.

BOARD OF DIRECTORS

Companies named, except those marked with an asterisk, are subsidiaries of National Dairy

F. J. ANDRE, *President,*
SHEFFIELD FARMS COMPANY, INC.
New York

F. J. BAHL, *President,*
MERCHANTS COLD STORAGE COMPANY
Cincinnati

EDGAR N. BRAWNER, *President,*
CHESTNUT FARMS-CHEVY CHASE DAIRY COMPANY
Washington, D. C.

HENRY W. BREYER, JR., *President and Treasurer,*
*BREYER CORPORATION
Philadelphia

PAUL C. CABOT, *President,*
*STATE STREET INVESTMENT CORPORATION
Boston

JOSEPH GILFILLAN, *Partner,*
*GILFILLAN, GILPIN & BREHMAN
Philadelphia

ROBERT S. GORDON, *General Counsel,*
NATIONAL DAIRY PRODUCTS CORPORATION

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SHEFFIELD FARMS COMPANY, INC.
New York

VERNON F. HOVEY, *President,*
GENERAL ICE CREAM CORPORATION, Schenectady
Vice-President,
NATIONAL DAIRY PRODUCTS CORPORATION

J. L. KRAFT, *Chairman of the Board,*
KRAFT FOODS COMPANY
Chicago

JOHN H. KRAFT, *President,*
KRAFT FOODS COMPANY, Chicago
Vice-President,
NATIONAL DAIRY PRODUCTS CORPORATION

B. M. LIDE, JR., *President,*
ST. LOUIS DAIRY COMPANY
St. Louis

ELMER J. MATHER, *Vice-President,*
NATIONAL DAIRY PRODUCTS CORPORATION
Chairman of the Board,
SOUTHERN DAIRIES, INC., WASHINGTON, D. C.

THOS. H. MCINNERNEY, *Chairman of the Board,*
NATIONAL DAIRY PRODUCTS CORPORATION

P. P. MILLER, *Vice-President,*
GENERAL ICE CREAM CORPORATION
Schenectady

HARRELL H. NEEL, *Vice-President,*
NATIONAL DAIRY PRODUCTS CORPORATION

E. E. STEWART, *Vice-President,*
NATIONAL DAIRY PRODUCTS CORPORATION

HENDERSON SUPPLEE, JR., *Vice-President,*
*ATLANTIC REFINING COMPANY
Philadelphia

L. A. VAN BOMEL, *President,*
NATIONAL DAIRY PRODUCTS CORPORATION

H. C. VON ELM, *Chairman of the Board,*
*MANUFACTURERS TRUST COMPANY
New York

SIDNEY J. WEINBERG, *Partner,*
*GOLDMAN, SACHS & CO.
New York

NATIONAL DAIRY PRODUCTS CORPORATION

230 PARK AVENUE • NEW YORK 17, N. Y.

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OF THE BOARD OF DIRECTORS

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F. J. Andre
Paul C. Cabot
Joseph Gilfillan
Vernon F. Hovey
John H. Kraft
Elmer J. Mather
Thos. H. McInnerney
E. E. Stewart
H. C. Von Elm
Sidney J. Weinberg

•

OPERATING COMMITTEE

L. A. VAN BOMEL, *Chairman*

F. J. Andre
Edgar N. Brawner
Christie E. Cuddeback
A. J. Dreux
Frank W. Edwards
C. E. Frishmuth
Vernon F. Hovey
H. H. Kendall
John H. Kraft
Dan Lewis
G. C. Mahle
Elmer J. Mather
Thos. H. McInnerney
Harrell H. Neel
Clyde H. Shaffer
E. E. Stewart
Raymond J. Wise

Members of this committee are executives of National Dairy Products Corporation or subsidiary companies and are appointed by the Board of Directors.

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OFFICERS

THOS. H. McINNERNEY
Chairman of the Board

L. A. VAN BOMEL
President

Vernon F. Hovey	*Vice-President*	George H. Rutherford	*Treasurer*
John H. Kraft	*Vice-President*	Robert S. Gordon	*General Counsel*
Elmer J. Mather	*Vice-President*	Herbert P. Brown	*Comptroller*
Harrell H. Neel	*Vice-President*	Reed Hartel	*Secretary*
E. E. Stewart	*Vice-President*	A. S. Aronson	*Asst. Treasurer*
Raymond J. Wise	*Asst. Vice-President*	Elizabeth H. Dreher	*Asst. Secretary*

Transfer Agent
Manufacturers Trust Company
New York, N. Y.

•

Sullivan & Cromwell, *Counsel*

Registrar
The Chase National Bank of the
City of New York, New York, N. Y.

•

Arthur Andersen & Co., *Auditors*

NATIONAL DAIRY PRODUCTS CORPORATION

230 PARK AVENUE • NEW YORK 17, N. Y.

PRINCIPAL SUBSIDIARIES

Akron Pure Milk Co., Akron, O.
Allen Ice Cream Co., Rockford, Ill.

Breakstone Bros., Inc., New York, N. Y.
  National Creamery Co., Somerville, Mass.
Breyer Ice Cream Co., Philadelphia, Pa.
Breyer Ice Cream Co., Inc., Long Island City, N. Y.

Castles Ice Cream Co., Garfield, N. J.
Chapman Dairy Co., Kansas City, Mo.
Chestnut Farms-Chevy Chase Dairy Co., Washington, D. C.
Clover Dairy Co., Wilmington, Del.
Clover Farm Dairy Co., Memphis, Tenn.
Cloverleaf Creameries, Inc., Huntington, Ind.
Consolidated Dairy Products Co., Inc., Long Island City, N. Y.
Consolidated Products Co., Danville, Ill.
Consumers Dairy Co., Union City, N. J.

Deerfoot Farms Co., Southboro, Mass.
Detroit Creamery Co., Detroit, Mich.

Ebling Creamery Co., Detroit, Mich.
Ewing-Von Allmen Dairy Co., Louisville, Ky.

Franklin Ice Cream Co., Kansas City, Mo.
Frechtling Dairy Co., Cincinnati, O.

General Ice Cream Corp., Schenectady, N. Y.
  Dodds Alderney Dairy, Inc., Buffalo, N. Y.

Harding Co., Omaha, Neb.
Hiland Dairy Co., Cincinnati, O.
Hydrox Corp., Chicago, Ill.
Hydrox Ice Cream Co., Inc., Long Island City, N. Y.

Kraft Foods Co., Chicago, Ill.
  Alimentos Kraft Argentina, S.A.C.I., Buenos Aires, Argentina
  Betz & Jay, G.m.b.H., Cologne, Germany
  N. V. Kaashandel Betz & Jay, Rotterdam, Holland
  Kraft Associated Distributors Inc., Chicago, Ill.
  Kraft Cheese Co. Limited, Hayes, England
  Kraft Dairies Limited, Hayes, England
  Kraft Foods Co. of Wisconsin, Chicago, Ill.
  Kraft Foods Limited, Outremont, Quebec, Canada
  Kraft Kase-Werke, G.m.b.H., Lindenberg, Bavaria, Germany
  Kraft Walker Cheese Co. Proprietary Ltd., Melbourne, Australia
  Phenix Pabst-ett Co., Chicago, Ill.

Luick Dairy Co., Milwaukee, Wis.
Luick Ice Cream Co., Milwaukee, Wis.

Martin Dairy Products Co., Martin, Tenn.
Marvadel Ice Cream Co., Inc., Salisbury, Md.
Matthews-Frechtling Dairy Co., Cincinnati, O.
Merchants Cold Storage Co., Cincinnati, O.
Muller Dairies, Inc., New York, N. Y.

Nashville Pure Milk Co., Nashville, Tenn.
National Dairy Products Company, Inc., Chicago, Ill.
National Dairy Products Corp. of Canada, Limited, Toronto, Canada
National Dairy Research Laboratories, Inc., New York

Ohio Clover Leaf Dairy Co., Detroit, Mich.
Ovson Egg Co., Chicago, Ill.

Rieck-McJunkin Dairy Co., Pittsburgh, Pa.
  Erie County Milk Association, Erie, Pa.
  Ohio Evaporated Milk Co., Pittsburgh, Pa.
J. D. Roszell Co., Peoria, Ill.

St. Louis Dairy Co., St. Louis, Mo.
Sanitary Milk Co., Canton, O.
Sealtest, Inc., New York, N. Y.
  Sealtest (Canada) Limited, Montreal, Canada
  Sealtest Limited, Hayes, England
Sheffield Farms Co., Inc., New York, N. Y.
Southern Dairies, Inc., Washington, D. C.
  Jersey Ice Cream Co., Miami, Florida
  Peerless Ice Cream Co., Birmingham, Alabama
Sugar Creek Creamery Co., Danville, Ill.
Supplee-Wills-Jones Milk Co., Philadelphia, Pa.

Telling-Belle Vernon Co., Cleveland, O.
Tri-State Butter Co., Cincinnati, O.

Union Ice Cream Co., Nashville, Tenn.

Western Maryland Dairy, Inc., Baltimore, Md.
Windsor Dairy Products Co., Cleveland, O.
Wisconsin Creameries, Inc., Milwaukee, Wis.

Youngstown Sanitary Milk Co., Youngstown, O.

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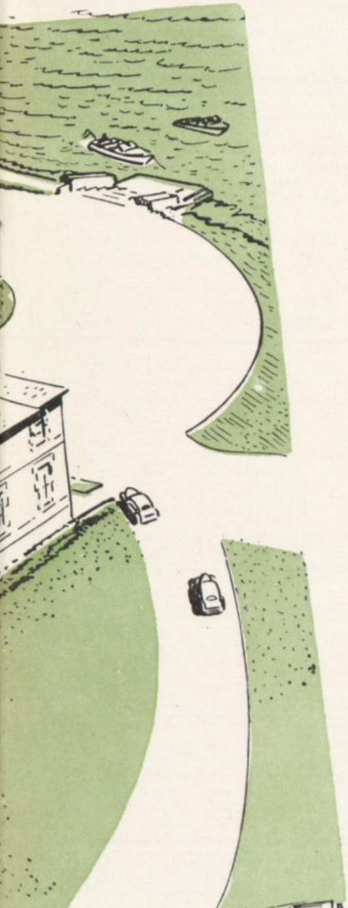
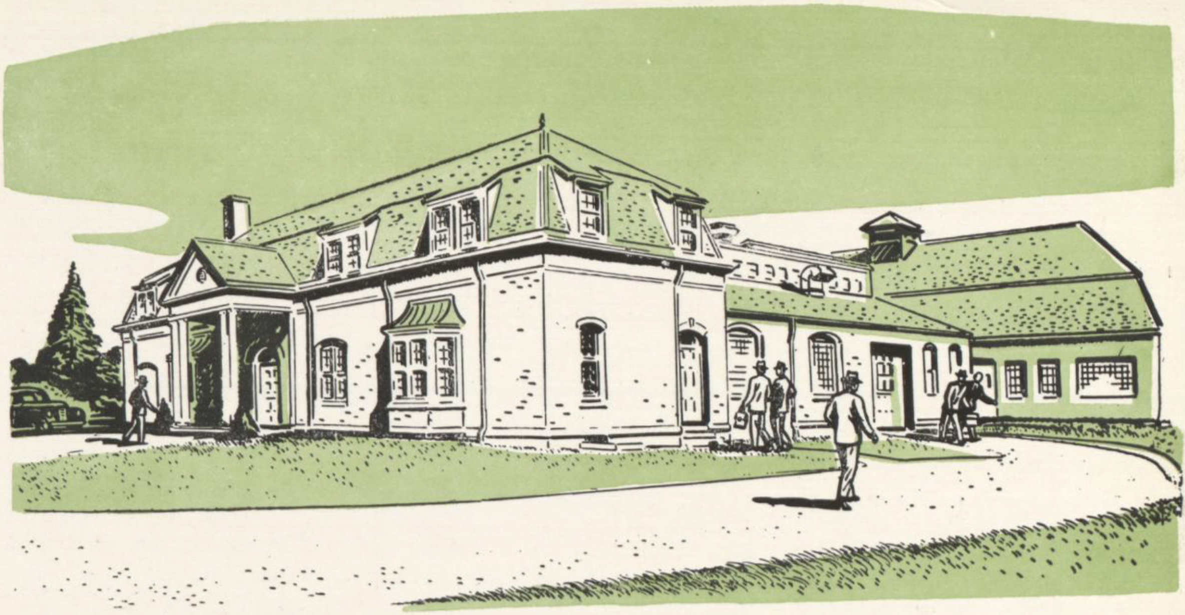
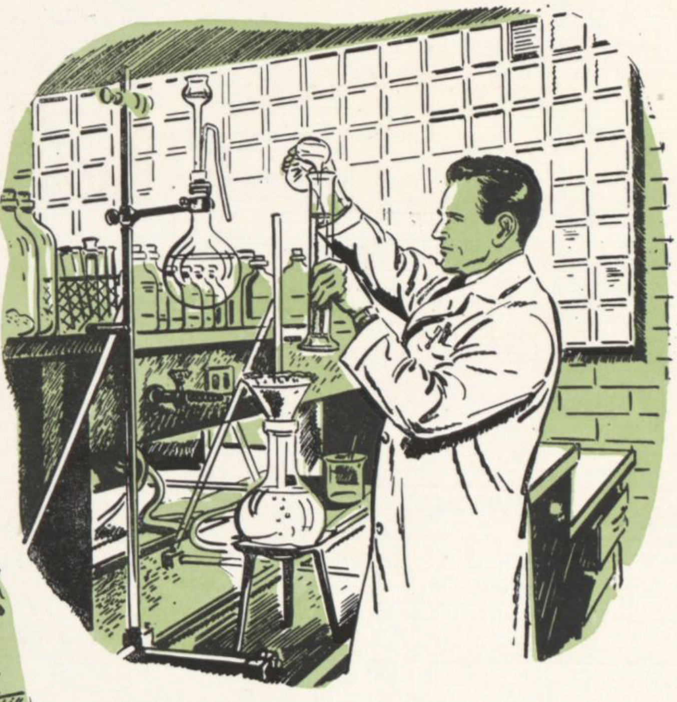
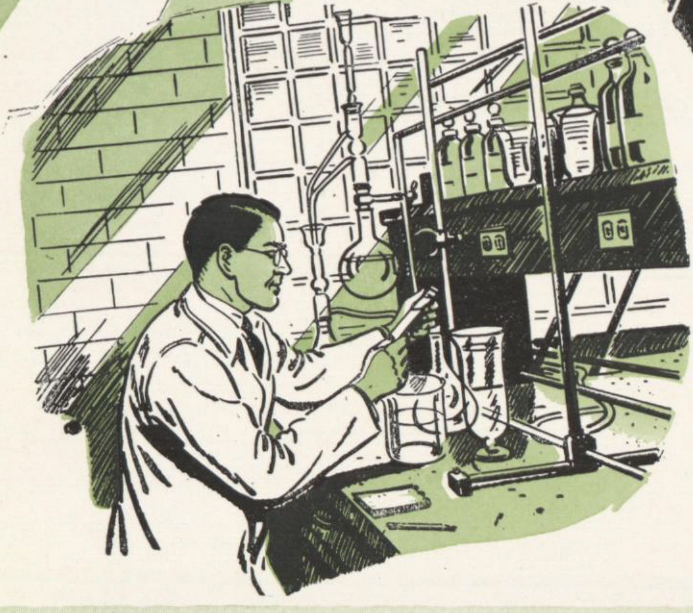




PILOT PLANT AT OAKDALE LABORATORIES





NATIONAL DAIRY Kraft PRODUCTS CORP.

NATIONAL DAIRY Sealtest PRODUCTS CORP.

NATIONAL DAIRY Breyers PRODUCTS CORP.